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Ex-CIA official denies Rewald's story

By Walter Wright
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The former head of the CIA's Honolulu field office said yesterday he once set up "safe houses" for the CIA abroad, but that he didn't create Bishop Baldwin Rewald Dillingham & Wong in Honolulu.

Eugene J. Welch denied Ronald Rewald's charges that Welch and the CIA directed the creation of the bogus investment company, its fictitious past and its offers of 26 percent interest to investors.

Welch, who ran the one-man overt CIA field office here from 1976 to 1978, said he met Rewald only twice after Rewald telephoned and volunteered to report about planned business trips to Japan and China.

"He shows promise of developing into a productive source of FI (foreign intelligence), once he has been oriented properly as to the agency's real needs and interests," Welch wrote on a "source/contact information sheet" about Rewald after having lunch and dinner with him on June 30, 1978.

But, Welch added, "he would have to be cautioned not to let his enthusiasm cloud his judgment as to his real capabilities."

Welch, now retired and the owner of a convenience store in southwestern Virginia, is a key witness in the government's effort to prove Rewald is guilty of perjury for saying under oath that Welch and the CIA set up Bishop Baldwin.

But Welch and the documents he identified yesterday also provide the first hard evidence of how Rewald gained the confidence of the nation's principle intelligence organization, a situation that ultimately exposed several agents and some operations and techniques.

Rewald says he is innocent of spending millions of dollars to lure investors because he only took the money to maintain his "cover" as a wealthy businessman, believing the CIA would reimburse him.

Welch said his 1978 estimate that he would see "source/contact" Rewald perhaps three to four times a year meant he considered Rewald an "average" volunteer of the kind the agency often uses.

Welch, a calm, slow-talking, deep-voiced man who looks vaguely like movie star Gene Kelly, said he joined the CIA in 1952 and that his contacts with Rewald were among his last duties before his retirement Sept. 15, 1978, in Hawaii.

His "generic" description of his 26 years in the agency suggested his career was a far cry from James Bond.

His first job was in "logistics," which meant for two years he got vehicles for a European division of the agency.

For the next four years, Welch said, he worked in an "overseas location," initially in logistics and vehicle control and then in "operations support — a real estate activity procuring and managing safe house locations."

A "safe house," he said, is an apartment, house or other building, "not traceable to the CIA and, in some cases, not to the U.S. government" and used to house persons needing safety and secrecy.

After another two years at Washington headquarters for the Eastern European division, call from Rewald, whom he had never heard of.

Rewald indicated he had recently returned from the People's Republic of China, a visit

which Rewald thought would be of intelligence interest, according to Welch.

"I suggested we meet for lunch for a more lengthy discussion of what he had in mind," Welch said. At the restaurant in downtown Honolulu, he said, Rewald told him he was involved in retail and wholesale sporting goods sales, and planned to travel to a Far East country and establish manufacturing sources for sporting goods.

Welch said Rewald disclosed to him in that first meeting that his Wisconsin company, CMI, had failed there but had been transferred to Hawaii where Rewald hoped to rebuild it.

Rewald also said he had been a professional football player with the Cleveland Browns, and that he had graduated with bachelor's and master's degrees after six years at Marquette University, and a Ph.D. after two years at the Massachusetts Institute of Technology, Welch said.

Rewald actually attended the Milwaukee Institute of Technology, a junior college.

Asked if he wasn't puzzled by Rewald's two-year doctorate, Welch suggested it might have appeared that Rewald was "a genius. He had a great deal of charm. I couldn't probe his intellect."

Welch said Rewald gave him that information even though he must have known it could be checked in one telephone call.

After that first meeting, Welch said, he returned to his office and filled out the customary "source card."

Under cross-examination

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which will continue today. Welch tried to explain why that document listed Rewald's CMI Corp. at an address at Grosvenor Center which Rewald didn't move to until later.

Welch said he assumed a secretary had whited out the original address and put in the new one after the business moved.

He acknowledged that some typing on some documents looked the same, despite different dates for the entries, but suggested it was because it was done on the same typewriter in Honolulu or different typewriters of the same brand and vintage at CIA headquarters.

Welch said he made a request for a check of Rewald's name for derogatory information in files maintained by government agencies in the United States, primarily the FBI.

That initial name check request, sent to headquarters too late for the answer to come back before Welch left town, apparently did not turn up Rewald's 1976 Wisconsin theft conviction, and Rewald shortly received a "secret" security classification valid for the next five years.

A subsequent check did turn up the theft conviction, but the CIA by that time had been dealing with Rewald for some time and decided to continue to do so, according to officials close to the case.

Before he left Honolulu, Welch said, he introduced Rewald to his successor in charge of the field office, Jack Kindschi, at a dinner at the Rewald home.

After that second meeting, Welch prepared a confidential "DCD source/contact information sheet" on Rewald.

The sheet, introduced in evidence, contains this initial assessment by Welch:

"Source was a walk-in who volunteered his services. moved, he said, to this action in sympathetic reaction to the years of criticism and slander leveled against the U.S. intelligence community.

"He claims a past association with the agency during his student days . . . when one element was attempting to trace the foreign roots of student unrest in the U.S."

(On cross-examination, Welch said he believed Rewald was confused and must have been thinking of the FBI, because the CIA has no authority for domestic spying on U.S. citizens. But Welch said he was unaware of Operation Chaos, an alleged CIA attempt to infiltrate student groups.)

Rewald, Welch continued, showed promise, and "has visited the People's Republic of China once in the recent past, and seems to have laid the groundwork for continuing good access there."

Rewald's potential expertise, Welch indicated, related to Japanese sporting goods and footwear manufacture, import and export; Chinese industrial development needs; and China's import-export trade.

Rewald, Welch noted at the time, "would very likely be receptive to operational requirements."

But Welch insisted that the CIA "source card" notation on the original June 30, 1978, meeting as dealing with "plans and operations" was a reference to Rewald's personal plans and business operations, not to some CIA plan or operation.

The next meeting, the dinner at the Rewald home with Kindschi, was described on the same card as dealing with development of Rewald's "FPI" or "foreign positive intelligence" potential, Welch said.